

Message Text

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41

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-02 DODE-00 PA-03 USIA-12 PRS-01 EA-11 NEA-10 RSR-01

IO-13 /190 W

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R 271500 Z JUN 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4790

INFO AMEMBASSY LONDON

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY BONN

AMEMBASSY LUXEMBOURG

UNCLAS DUBLIN 0841

E. O. 11652: N/ A

TAGS: EGEN, EI

SUBJ: IRISH GOVERNMENT SHARPENS PRICE CONTROLS

SUMMARY: IN MAJOR MOVE TO COMBAT INFLATION, GOI
MINISTER FOR TRADE AND INDUSTRY KEATING ANNOUNCED
BROAD RANGE OF NEW PRICE AND PROFIT CONTROLS JUNE 26.
PRICES OF A NUMBER OF MAJOR FOOD ITEMS FROZEN, AND
STANDSTILL IMPOSED ON PROFIT MARGINS ENJOYED BY
IMPORTERS, WHOLESALERS AND RETAILERS ON BROAD RANGE
OF GOODS. NUMBER OF PRICE INSPECTORS TO BE TRIPLED
AND CONSUMER COUNCIL FORMED. KEATING GAVE NO TIME
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LIMIT ON MEASURES, BUT SAID PERMANENT CONTROLS WERE UNDESIRABLE. AIM IS TO BRING INFLATION DOWN FROM CURRENT 12 PERCENT ANNUAL RATE TO BELOW 5 PERCENT. INITIAL COMMENTARY FAVOURABLE. END SUMMARY.

1. MEASURES ANNOUNCED WERE AS FOLLOWS:

A) MAXIMUM RETAIL PRICES HAVE BEEN FIXED FOR FOLLOWING GOODS: SUGAR, BUTTER, FLOUR, WHEATEN MEAL, KEROSENE, TURF BRIQUETTES, BOTTLED GAS, BABY FOODS, CORNFLAKES, MARGARINE, TINNED PEAS, TINNED BEANS, FROZEN GARDEN PEAS, FORZEN SLICED GREEN BEANS, FROZEN BRUSSELS SPROUTS, FLAKEMEAL. (THIS IN ADDITION TO BREAD AND MILK WHICH ALREADY CONTROLLED.)

B) STANDSTILL ON ABSOLUTE CASH LEVELS OF PROFIT MARGAIN ENJOYED BY IMPORTERS AND WHOLESALERS ON WIDE RANGE OF GOODS, INCLUDING MEAT AND MEAT PRODUCTS, DAIRY PRODUCTS, FISH, FRUIT, SUGAR, DRINK, TOBACCO, CLOTHING, FOOTWEAR, COAL AND WIDE RANGE OF INDUSTRIAL RAW MATERIALS.

C) SIMILAR STANDSTILL ON CASH LEVEL OF RETAIL PROFIT MARGINS ON CLOTHING, FOOTWEAR, DRUGS AND MEDICINES, BED LINEN, FURNITURE, EGGS, FRUIT AND VEGETABLES RADIO AND TELEVISION RECEIVERS, GRAMOPHONES AND RECORD PLAYERS, ELECTRIC LAMPS, ELECTRIC SHAVERS, ELECTRIC HEATERS, ELECTRIC COOKERS, REFRIGERATORS GAS COOKERS AND GAS HEATERS, COAL, MOTOR VEHICLES, MOTOR BICYCLES, AND BICYCLES.

D) LARGE INCREASE IN ITEMS TO BE INCLUDED IN PRICE LISTS DISPLAYED IN RETAIL SHOPS.

E) MAXIMUM PRICES FOR DRINK TO BE FIXED IN NUMBER OF AREAS OTHER THAN DUBLIN, DUNDALK AND LONGFORD, WHERE THEY ALREADY APPLY.

F) AN EXTENSION FROM ONE TO TWO MONTHS IN NOTICE OF IMPENDING PRICE INCREASES GIVEN BY MANUFACTURERS, WHOLESALERS AND IMPORTERS.

G) PRICE COMMISSION TO MONITOR THE GENERAL PROFIT LEVELS OF RETAILING CONCERNS.

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H) ESTABLISHMENT OF A NATIONAL CONSUMER ADVISORY COUNCIL.

2. KEATING SAID THAT NUMBER OF PRICE INSPECTORS STOOD AT 9 WHEN NEW GOVERNMENT CAME TO POWER IN MARCH 1973. NUMBER HAD ALREADY BEEN INCREASED TO 25 AND 50 MORE WERE TO BE APPOINTED.

3. KEATING SAID PACKAGE DESIGNED TO CURB INFLATION, NOW RUNNING AT NEARLY 12 PERCENT PER ANNUM, IN EFFORT BRING IT DOWN BELOW 5 PERCENT. IN YEAR ENDED MID- MAY, FOOD PRICES HAD RISEN BY 19.9 PERCENT, CLOTHING 15.6 PERCENT, AND DURABLES BY 11.5 PER CENT; THESE ARE ITEMS ON WHICH PROFIT MARGINS NOW FIXED.

4. JUNE 27 DUBLIN NEWSPAPERS GAVE TOP COVERAGE TO MEASURES, WELCOMED THEM EDITORIALY, BUT WONDERED WHETHER CONTROLS COULD BE EFFECTIVELY IMPLEMENTED. PRO- OPPOSITION IRISH PRESS AID POLICY SHOULD BE DIRECTED AT REDUCING NOT FIXING PRICES. RETAIL GROCERS ASSOOCIATION GAVE GUARDED WELCOME AND CONSUMERS ASSOCIATION WAS ENTHUSIASTIC.

5. COMMENT:. IRISH INFLATIONARY SITUATION HAS CLEARLY REACHED CRISIS PRESENT REQUIRING BOLD ACTION. BEGIN UNDERLINE IF END UNDERLINE CONTROL ARE IMPLEMENTED EFFECTIVELY, FREEZE ON FOOD ITEMS AND ON WHOLESALE AND RETAIL PROFIT MARGINS SHOULD HELP CUT DOWN CONTRIBUTION RISING IRISH AGRICULTURAL PRICES AND IMPORT PRICES ARE MAKING TO INFLATION. MEASURES ALSO INTENDED PERMIT CONSUMERS BENEFIT FROM REMOVAL OF VAT FROM FOOD IN SEPTEMBER AND REDUCE MULTIPLIER EFFECT ON CORRESPONDING INCREASE IN VAT ON OTHER CONSUMER ITEMS (DUBLIN 644). MEASURES ALSO SHOULD HELP IMPROVE CLIMATE FOR NEGOTIATION NEW NATIONAL PAY AGREEMENT IN AUTUMN; PRECEDING TWO AGREEMENTS HAVE CONTRIBUTED LARGELY TO IRISH WAGE- PRICE SPIRAL, WITH UNIT WAGE COSTS RISING BY 11 PERCENT LAST YEAR. GOAL OF REDUCING INFLATION RATE TO 5 PERCENT, IF ATTAINABLE, MEANS GOI EXPECTS CONTROLS TO BE OPERATION FOR LONG PERIOD.

6. EMBASSY WILL FORWARD FULL TEXT OF NEW ORDERS VIA AIRGRAM.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DUBLIN00841
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: DUBLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730628/aaaajnpm.tel
Line Count: 160
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2001 by maustmc>; APPROVED <20-Aug-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980225
Subject: IRISH GOVERNMENT SHARPENS PRICE CONTROLS
TAGS: EGEN, EI
To: BRUSSELS
EC BRUSSELS
EUR
LONDON
OECD PARIS
PARIS
ROME

SECSTATE WASHDC
THE HAGUE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005